



SAFARICOM TELECOMMUNICATIONS ETHIOPIA PLC (STE)

Q1 Update- as of 30 June 2024

INVESTOR RELATIONS
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Safaricom Plc, Chief Executive Officer, Peter Ndegwa - Overview



Shaping Our Strategy to Scale Operations in Ethiopia

It's been 22 months since we launched commercial operations in Ethiopia, we have sharpened our strategic approach, redefined our evolving business model to meet customer needs and enhanced our distribution model to build accountability, visibility, transparency, and trust.

Our purpose in Ethiopia remains to transform lives for a digital future and our vision is to establish an innovative brand loved by our customers. We are building a world-class network focused on earning customer loyalty and are experimenting/learning from the lessons and the challenges as the business evolves, to create a digital future for our customers guided by strong values in customer obsession, trust and respect, speed and innovation and compliance & integrity.

Our brand has been established as a data network and our customers appreciate the superior customer experience we offer, reliable connectivity & speeds, as well as secure access to the fastest data network in Ethiopia. Our efforts to accelerate financial inclusion and access to digital payment platforms are underway with M-PESA now fully operational since August 2023.

We have established **ONE distribution network** for both GSM, SMEs and M-PESA. We took the approach of not segregating GSM or M-PESA customers to enable us to have a 'One Customer' view and a streamlined trade execution strategy to establish 'One Trade' by not differentiating retailers for GSM products and M-PESA Agents & Merchants. Our distribution framework has since become more effective, efficient, and engaging, enhancing resilience, and ensuring sustainability. The refinement of our distribution model is scientifically driven, informed by considerations of coverage, site capacity, infrastructure distribution, and performance objectives.

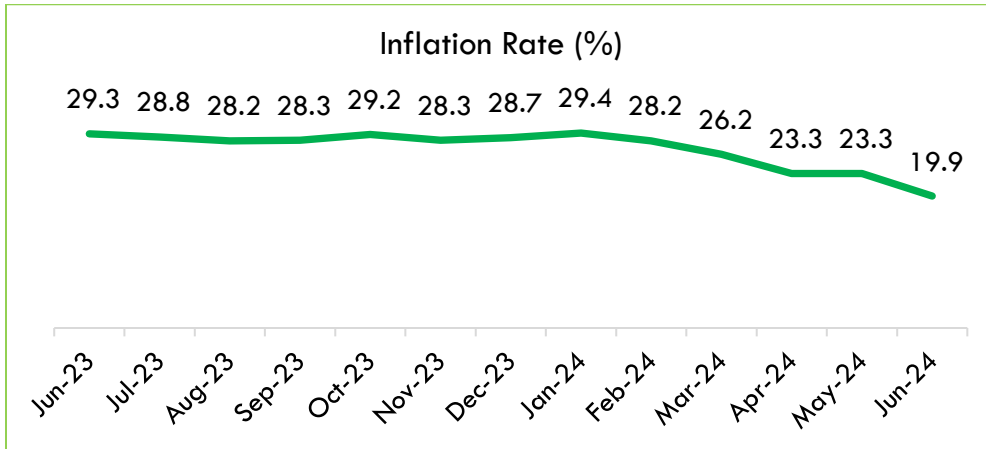
Our network roll-out strategy is focused on enhancing population coverage, critical mass reach and driving cost efficiencies. Sites distribution is guided by license obligations and geo-marketing insights which help us to identify continuous socio-economic clusters and densely populated regions. Security has been a key consideration for the safety of our staff and the base stations. We are glad there has been significant improvement post the peace treaty in Tigray region where we started roll out in June 2024. We are also glad to note that almost 40% of Amhara had the data restriction lifted on 14th July. We are hopeful that the rest of the region will soon have the restriction lifted as well. This should drive increased data usage going forward. Grid power in Ethiopia is amongst the cheapest in Africa and this is a key enabler to managing our network operating costs. All our sites are powered by a combination of grid, batteries, generator and solar for sustainability. We took on a self-build and infrastructure sharing approach targeting between 8-10k sites by year 10 of operations and have currently rolled out 2,912 sites, on track to meet our FY25 guidance of 3,500 sites.

Macro Environment Update

Inflation Rate

The annual inflation rate in Ethiopia eased to 19.9% in June 2024, the lowest since May 2021, compared to an inflation rate of 29.3% same period last year. Non-food inflation fell from 31.4% to 15.3%, while food inflation reduced from 28.0% to 22.7%. The National Bank of Ethiopia (NBE) attributes the inflation decline to monetary policy measures and supply-side initiatives implemented during the past year. The bank also stated that the current rate is in line with its target to bring the overall inflation down to 10% by June 2025. Since December 2022, the Ethiopian economy has continued to operate in a hyperinflationary

environment. The Consumer Price Index has increased by 25% to 457 points in March 2024 compared to 358.8 points in March 2023. This means we shall continue reporting under IAS 29 on hyperinflation.

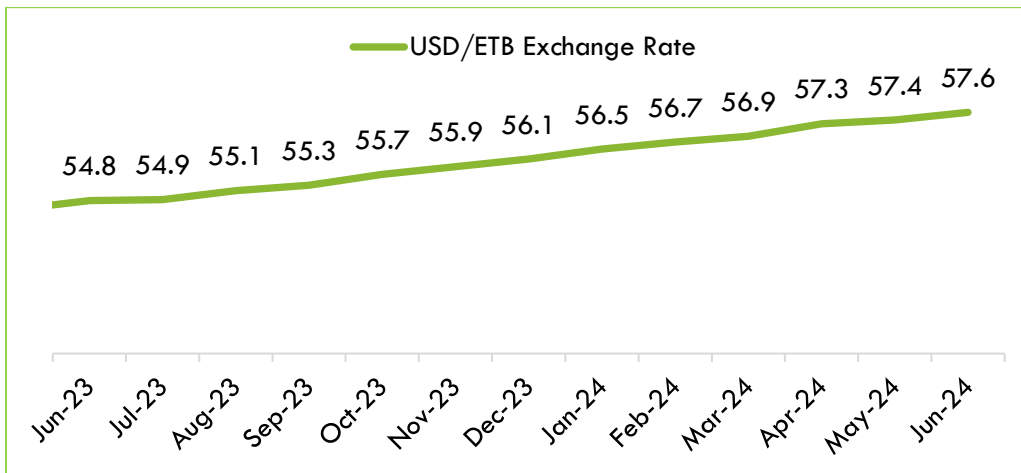


Source: Ethiopia Central Statistical Agency

Currency Performance

The Ethiopia Birr (ETB) has continued to follow a steady depreciation against the US Dollar, weakening 5.1% YoY as at the end of the quarter to ETB 57.60, in addition to a depreciation of 4.8% in 2023. The shortage of available dollars has created significant gaps between the official rate and the parallel market rate.

To address the foreign currency shortage, the government implemented several measures in September 2022 intended to improve access to dollars. The NBE banned the use of foreign currency in local transactions, while reducing the number of days that a returning resident can keep foreign cash from 90 to 30 days. In addition, the Bank also relaxed restrictions on how much foreign currency can be brought into the country ([Source](#)).



Source: Bloomberg

GDP Growth

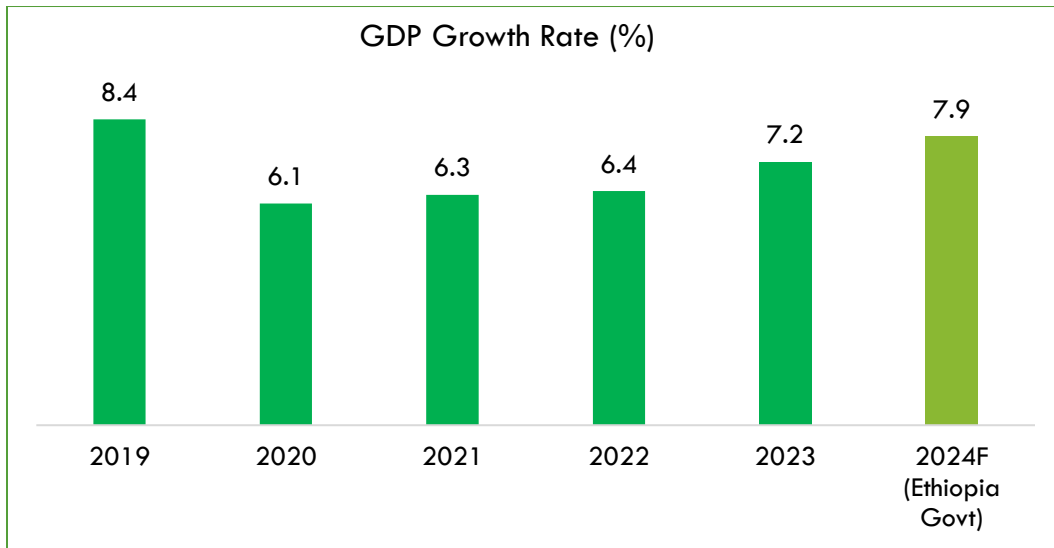
Ethiopia is one of the fastest-growing economies in the region, with a 7.2% growth during the fiscal year 2022/2023, up from 6.4% in 2021/22. This was driven by 7.9% growth in the services sector, which

accounts for 40% of GDP. During the same period, industry (28% of GDP) grew by 6.9% while agriculture which accounts for 32% of GDP, grew by 6.3%.

According to the Ethiopian government, GDP growth for the recently ended fiscal year 2023/24 is expected to come in at 7.9%.

Keen to maintain stable economic growth, the Ethiopian House of Peoples' Representatives, the lower house of parliament, approved a record budget of ETB 971.2Bn (US\$ 16.83Bn) for the 2024/2025 Ethiopian fiscal year, which commenced on July 8. The new budget represents a 21.1% increase compared to the 2023/2024 fiscal year's budget of ETB 801.6Bn.

The World Bank projects strong growth of 7% to persist in Ethiopia in 2024/25, supported by increased investment and a recovery in government consumption.



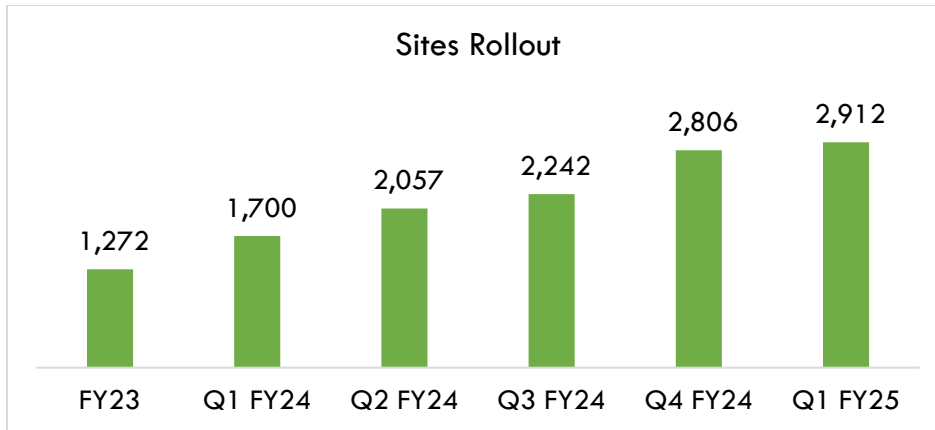
Source: Ethiopia Central Statistical Agency

Launch of a New Monetary Policy Framework in Ethiopia

To modernize Ethiopia's Monetary policy framework and aligning to global best practices, the National Bank of Ethiopia (NBE) launched a new monetary policy framework on 9 July 2024, aimed at ensuring low and stable inflation. This includes adopting modern central bank practices and enhancing technical capacity. In the policy, the NBE will use the National Bank Rate (NBR) as the primary tool for signaling policy stance and influencing monetary conditions. The initial policy interest rate is set at 15%. On open market operations, the NBE will also conduct bi-weekly auctions to manage liquidity in the banking system, ensuring interbank market rates align with the NBR. The bank also made additional measures including introduction of overnight lending and deposit facilities, and an electronic platform for interbank money market operations. The NBE also stated that it will retain some past tools for managing liquidity during the transition period. ([Source](#))

Network rollout

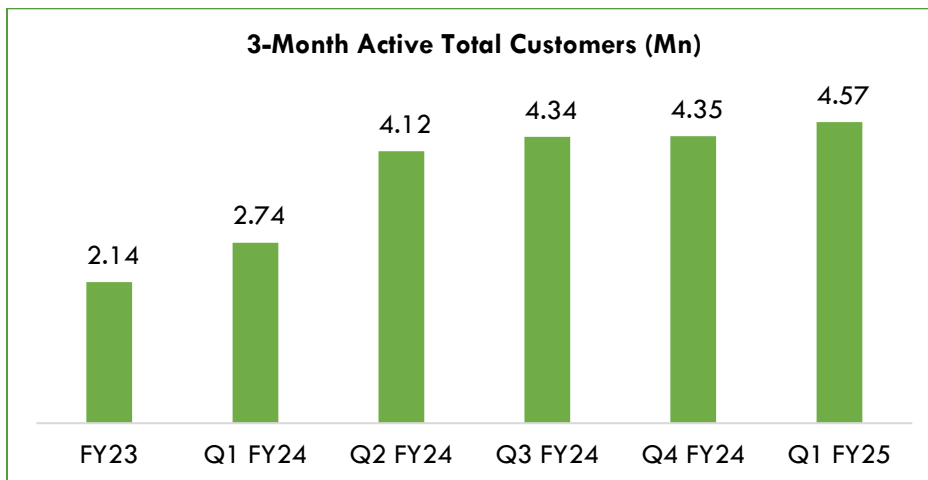
We continue to expand network roll out as we scale our operations. Our FY25 guidance of 3,500 sites remains. This is aligned to our coverage obligation by 55% by June 2025. As of 30 June 2024, we had launched 2,912 base stations (1,592 own built & 1,320 collocated). We have now covered 23 out of 25 large and medium cities listed in the license and 505 small towns in total. This brings the total population coverage at 44% as at June 2024.



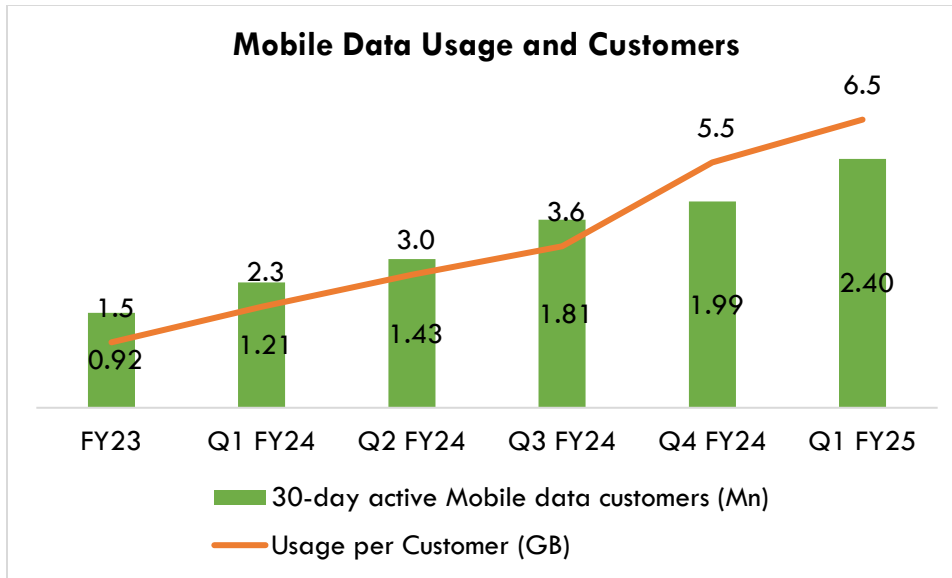
Our customer acquisition efforts have been significantly slowed down because of halting network roll-out and operations in the conflict-torn areas since the launch of commercial operations in October 2022. The recommencement of activities in the Tigray region is expected to bolster our efforts to achieve the projected FY25 guidance on customer numbers, which include acquiring 7 to 10 million three-month customers and 2.5 to 4 million one-month active M-PESA customers. We have now rolled out 102 base stations in Tigray as of end of June 2024. Our CAPEX guidance remains unchanged.

Commercial Progress

As of end of June 2024, we had 4.6Mn three-month active customers on our network and one-month active customers closed at 3.4Mn customers. Commercial momentum in the period was supported growth in customers since launch of operations in Tigray region. Overall Service Revenue ARPU as at end of Q1 FY25 was KES 155.3 (+87.9% YoY).



We now have 2.4Mn (+98.8% YoY) one-month active Mobile data customers, recording usage of 6.5GB (+185% YoY) per customer per month as at end of June 2024. Our business in Ethiopia achieved Service Revenue of KES 2.0 billion in Q1 FY25 with Mobile data contributing 78% of the growth (KES 1.6 billion). Data ARPU now stands at KES 244.7 (+107.6% YoY).



Our FY25 guidance on M-PESA customers remains unchanged at 2.5 to 4 million one-month active M-PESA customers. We have so far registered 5.8Mn M-PESA customers as of end of June 2024.

On 28 June 2024, M-PESA in Ethiopia, and Ethiopian Electric Utility (EEU) company announced a strategic partnership that enables EEU postpaid customers to conveniently settle their monthly electric bills using the M-PESA mobile money service. This agreement aligns with our mission to empower individuals and businesses through innovative financial services and brings great convenience to EEU's postpaid customers saving in their valuable time and money to benefit from a seamless, efficient, and secure method to manage their utility expenses. The service has since been used by over 3.5k customers who have transacted close to 13k transactions valued at ETB 8.1Mn, approximately KES 18Mn, in the period.

The Government of Ethiopia has been keen to enable a leveled playing field for all mobile money providers. In this regard, the Ministry of Transport is currently putting in place a payment gateway which every payment provider including M-PESA will connect to. They are also in the process of introducing interoperable QR code standard to be enforced later in the year. These initiatives will support uptake of mobile money for all industry providers as a payment platform of choice.

We are also in the process of engaging various stakeholders in the market for partnerships to scale Ethiopia's digital future in different verticals and with the support of the government.

Funding of Safaricom Ethiopia

Safaricom Ethiopia is funded through shareholder equity, deferred vendor payments and third-party borrowings. Shareholders of GPE had contributed USD 1,790Mn by June 2024, in proportion to their shareholding. This funding includes the license fee of USD 850Mn and the USD 150Mn MPESA license fee. Safaricom PLC's contribution amounts to USD 925Mn.

Below is a summary of the contributions made by all shareholders to date in the indicated periods excluding the total license fees of USD 1Bn which was paid directly to the Government of Ethiopia.

USD Mn	Total	Q1 FY25	FY24	FY23	FY22
GPE shareholders funding excluding the USD 1Bn license fees	790	164	238	269	119

The operating entity has also borrowed from the local market and is leveraged as in the table below at varying interest rates. Also included in the table are the closing outstanding amounts for the periods under the deferred vendor payments agreements.

KES Bn	Q1 FY25	FY24	FY23	FY22
Local debt	19.29	29.97	12.81	0.00
Deferred Vendor Payments	32.4	39.7	26.16	0.52
IFC Loan	12.9	13.2	-	-

*Conversion of ETB to KShs is done at a closing exchange rate of 1ETB to KShs at 2.2896 for Q1 FY25, 2.5625, 2.4459 for FY23 and 2.2443 for FY22.

Financial/non-financial update for Safaricom Ethiopia

1. Key Performance Indicators (KPIs)

Key Performance Indicators	Q1 FY25	Q1 FY24	FY24	FY23**
90-day active customers (Mn)	4.57	2.74	4.35	2.14
90-day active total customer ARPU	155.34	82.67	122.85	62.56
One-month active customers (Mn)	3.41	1.93	3.06	1.44
One-month active customer ARPU	217.68	118.98	183.12	78.02
Voice				
90-day active total customers (Mn)	3.82	2.49	3.53	1.96
One-month active voice customers (Mn)	2.7	1.72	2.28	1.24
One-month active voice customer ARPU*	37.99	35.98	41.04	21.33
M-PESA**				
M-PESA registered customers (Mn)	5.75	-	4.51	-
Number of M-PESA Agents (000's)	29.2	-	25.8	-
Total Transaction Value (Mns')	4,724.80	-	24,520.70	-
Total Transaction Volume (000's)	34,972.90	-	31,476.90	-
Mobile Data				
90-day active total customers (Mn)	3.21	1.73	2.79	1.43
One-month active mobile data customers (Mn)	2.4	1.21	1.99	0.92
MB per chargeable Mobile data subscriber	6,638.63	2,328.30	4,321.08	1,507.90
One-month active chargeable data ARPU*	244.7	117.86	215.2	76.19
Messaging				
90-day active SMS total customers (Mn)	2.21	1.00	1.83	0.68
One-month active Messaging customers (Mn)	1.4	0.67	1.1	0.37
One-month active Messaging customer ARPU*	1.9	1.78	4.0	1.84
Base Stations				
2G/3G/4G base stations	2,912	1,700	2,806	1,272

*Average revenue per user (ARPU) is in KShs excluding hyperinflationary impact.

** FY23 and M-PESA numbers for FY24 represent 7 months of operations

2. Total Revenue

The financial summary of the unaudited total revenues for the periods ended as shown below and are not prepared on IAS 29 basis- which caters for hyperinflationary economies. This is for information purposes only.

KShs Mns	Q1 FY25	Q1 FY24	FY24	FY23**
Voice Revenue	273.4	152.1	954.0	121.3
Messaging Revenue	16.6	2.6	39.2	3.5
Mobile Data Revenue	1,599.8	361.3	3,906.8	322.9
M-PESA Revenue**	8.6	0.0	87.3	0.0
Mobile Incoming Revenue	97.3	60.1	333.2	59.6
Other Mobile Service Revenue	38.8	1.4	48.1	0.0
Mobile Service Revenue	2,034.5	577.6	5,368.7	507.4
Fixed Line and Wholesale Transit Revenue	11.9	0.0	11.7	0.0
Service Revenue	2,046.4	577.6	5,380.3	507.4
Handset revenue and other revenue	278.8	397.1	1,614.8	584.0
Other Income	2.5	0.0	25.5	584.5
Total Revenue	2,327.7	974.7	7,020.6	1,676.0

*Conversion of ETB to KShs is at an average exchange rate of KShs to ETB of 2.2907 for Q1 FY25, 2,564 for Q1 FY24, 2,623 for FY24, and 2,335 for FY23.

** FY23 and M-PESA numbers for FY24 represent 7 months of operations

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